

- Wholesale (+3.0%) and retail (+2.3%) sales increased in August
- BC ranked third in the country in retail trade growth from 2000 to 2004
- Fewer tourists visited BC in August and travel to Canada hit a 25-year monthly low

The Economy

• **Wholesale sales in BC climbed 3.0% (seasonally adjusted) in August.** This was the first month since April in which BC has recorded an increase in wholesale sales. For Canada as a whole, sales rose a modest 0.7% in August. Wholesale sales were up in many regions of the country. The exceptions were Quebec (-0.8%), Newfoundland and Labrador (-1.5%), New Brunswick (-0.7%), Yukon (-22.3%) and Saskatchewan (-3.8%). The most significant increases were in Nova Scotia (+3.2%) and Prince Edward Island (+3.3%). *Data Source: Statistics Canada*

• **BC retailers bucked the national trend with growth in sales of 2.3% (seasonally adjusted) in August.** Canadian sales dipped 0.3% from July to August as retailers saw declining receipts in most provinces. Other than BC, only Nova Scotia (+1.1%), PEI (+1.0%) and Alberta (+0.4%) experienced an increase in retail sales, while sales in Manitoba remained unchanged from July. The largest drops in sales were in the Northwest Territories (-2.5%) and New Brunswick (-2.2%). *Data Source: Statistics Canada*

• **British Columbia ranks third among all provinces in retail trade growth with an average annual rate of 5.3% between 2000 and 2004.** Nationally, retail sales grew at an average annual rate of 4.8% with Alberta's average increase of 8.1% leading the pack. Sales in Saskatchewan (+5.3%), and Manitoba (+5.8%) were also higher than the national average while Newfoundland and Labrador (+4.9%) and Quebec (+4.7%) also maintained a relatively robust rate of growth.

Retailers in the West of the country fared better than those in the East, due largely to more robust sales in the automotive sector. Despite a slowdown in the overall growth of sales in the

automotive sector in BC over the last five years, it still accounted for one third of provincial retail sales in 2004.

The food sector was the main contributor to retail growth in the province with an above-sectoral average growth rate of 5.8%, accounting for 27.6% of BC's retail gains between 2000 and 2004. Consumer spending in retail stores in BC also contributed, rising from 46.9% of disposable income in 2000 to 50.3% in 2004. As a result, BC residents took on far more debt with the provincial "savings" rate plunging to -7.9% of disposable income. As a result of the booming housing market in BC, the furniture and building materials sectors also swung in to positive territory between 2000 and 2004, with compound growth of 10.2% and 12.7% respectively during the four year period.

Data Source: SC catalogue no. 11-621-MIE2005032

Tourism

• **The number of travellers entering Canada via BC borders declined for the third straight month, falling 1.8% (seasonally adjusted) in August.** Entries were down from both the US (-1.5%) and all other countries (-2.8%). Same-day trips by Americans slipped 1.9% and there were also fewer overnight visitors (-1.6%) from the United States. The rising value of the Canadian dollar relative to the American greenback combined with skyrocketing costs for fuel have likely been the main reasons for the significant drop in American tourists over the last several months. In fact, the number of Americans travelling to Canada as a whole slumped to its lowest monthly level in over 25 years in August.

Travellers from countries other than the United States were also arriving in smaller numbers in August as overseas entries to BC fell 2.8%.

Did you know...

Two-thirds of British Columbians do not obtain the minimum five servings of recommended vegetables and fruit on a daily basis.

Much of the decline was due to a 6.5% drop in travellers from Asia. Entries from Europe increased marginally (+0.1%).

The number of Canadians returning home via BC climbed 4.1% in August. Same-day car trips to the US jumped 5.9%, while the number of travellers returning from trips overseas grew 3.5%.

Data Source: Statistics Canada & BC Stats

Food Consumption

- **Canadians are consuming fewer vegetables than they used to.** On average, Canadians consumed 74.8 kg of fresh vegetables in 2004, down from 75.7 kg the previous year. Juice consumption also slipped, from 25.0 litres in 2003 to 24.9 litres in 2004. Consumption of oils and fats continued its upward trend reaching 23.6 kg, up from 23.0 kg the previous year. In contrast, Canadians consumed more fruit in 2004, averaging 37.6 kg, up from 37.1 kg in 2003. Apples, bananas and oranges remain the most popular, accounting for nearly half of all fresh fruit eaten while tropical fruits like mangos and guavas continue to make inroads into Canadian diets.

Data Source: Statistics Canada

Trade in Culture Goods

Note: The data on trade in culture goods are a correction of data released earlier in the year. Statistics Canada recalled the earlier releases because some of the values reported were incorrect.

- **The region comprised of British Columbia and the Territories recorded the only rise in value of imports of culture goods in 2004.** BC and the Territories posted a 7.5% increase in value of imports from 2003 to 2004 reaching \$389.3 million. The region also saw a modest (+0.8%) increase in value of exported culture goods. Nationally, international trade in culture goods, which includes everything from original art and films to books and periodicals, dropped 2.3% from 2003, amounting to \$6.8 billion in 2004. This is the third consecutive year of decline in overall trade levels. Both imports and exports were down in almost every region of the country with imports falling 2.2% to \$4.4 billion and exports dropping 2.5% to \$2.4 billion. Both import (-2.7%) and export (-4.3%) levels with the US, our principal trad-

ing partner, showed significant drops. Most of the decrease in imports from the US was attributable to shrinking domestic demand for printed materials as consumer preferences for digital media technologies grow.

Data Source: Statistics Canada

The Nation

- **Canadians are taking more trips on urban transit systems.** Combined ridership on 10 large urban transit systems (accounting for 80% of total urban transit in Canada) was up 1.3% in August over the same month last year. About 93.5 million passenger trips were taken on these systems in August, generating \$153.9 million in revenue, a 4.5% increase over August 2004.

Data Source: Statistics Canada

- **Canadians continued to invest heavily in foreign securities with purchases reaching \$5.5 billion in August.** This marks the third consecutive month that Canadian investment in foreign securities has been in excess of \$5 billion. Purchases of foreign bonds accounted for the majority of total investment in overseas securities with a record \$4.1 billion in holdings. Most of these investments went into US corporate (\$1.7 billion) and overseas (\$1.9 billion) bonds. Canadians bought \$2.3 billion in foreign equities in August, adding to the \$2.7 billion in purchases recorded in July. They are primarily investing in US stocks, buying \$1.6 billion with the remaining \$724 million going to purchases of overseas equities. So far, Canadian investors have purchased \$9.5 billion in foreign equities this year compared to less than \$1 billion over the same period last year.

Despite substantial purchasing of Canadian equities (\$1.6 billion), foreign investors in Canadian securities bought \$2.7 billion less in August compared to July, marking the largest divestment in 18 months. This is due to the \$4.2 billion fall of foreign holdings of Canadian debt instruments, the decrease of \$2.4 billion in Canadian bond holdings and the \$1.8 billion drop in holdings of Canadian money market paper.

Data Source: Statistics Canada

Infoline Issue: 05-42

October 21, 2005

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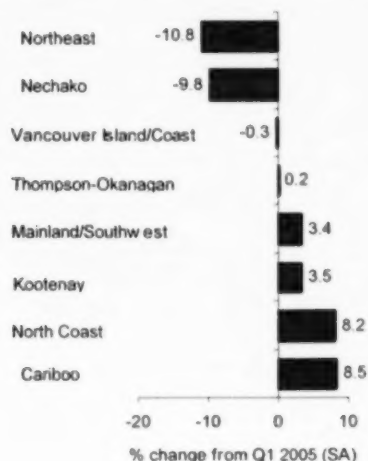
Originally published in *Tourism Sector Monitor* Issue 05-09. Annual Subscription \$60 +GST

Second Quarter Review of BC's tourism Sector

Room Revenues continued to climb

Room revenues rose (+1.8%, seasonally adjusted) in the second quarter, posting an eighth consecutive quarterly gain. Revenues increased in five regions, but the distribution of the growth was different from the first quarter. Revenues were down in Nechako (-9.8%), Northeast (-10.8%), and Vancouver Island/Coast (-0.3%), which had posted the most significant growth at the beginning of 2005.

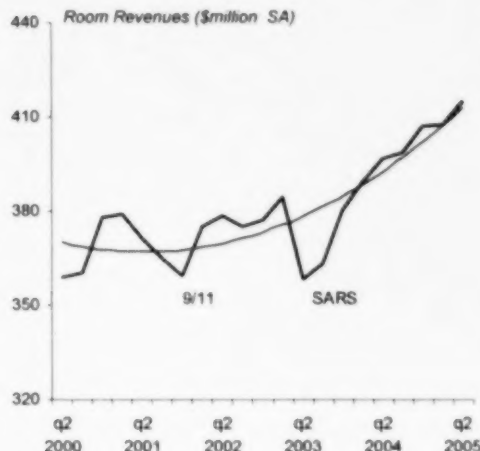
Revenues jumped in Cariboo and Northeast



Data source: BC Stats

However, the revenue growth in the other regions offset the declines. Cariboo (+8.5%) and North Coast (+8.2%) posted the strongest growth in the second quarter. Room revenues in Kootenay (+3.5%) and Mainland (+3.4%) bounced back after dropping in the first quarter. Thompson/Okanagan posted a modest 0.2% gain.

Persistent growth in BC room revenues

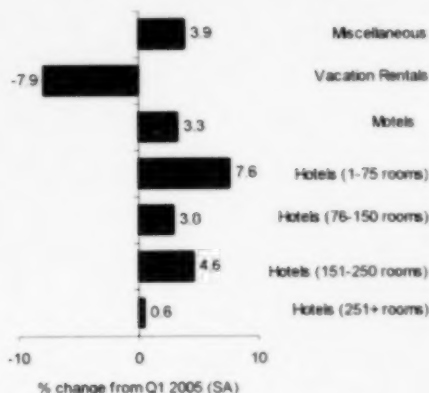


Data source: BC Stats

In the second quarter, revenues reached a new high of \$415 million, with an increase at hotels of all sizes. Very large (251+ rooms, +0.6%) and large (151-250 rooms, +4.6%) hotels recovered from a weak first quarter. Small hotels (1-75 rooms, +7.6%), mid-sized hotels (76-150 rooms, +3.0%), and motels (+3.3%) continued to do well.

Business was much slower at vacation rentals, posting a substantial decline (-7.9%). However, other types of accommodations, including bed and breakfast, fishing lodges and other kinds of short-term accommodations, saw room revenues grow 3.9%.

Small hotels posted the strongest growth



Data source: BC Stats

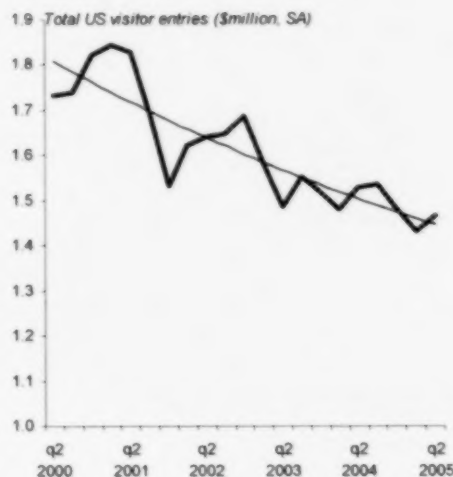
Visitor entries rose in the second quarter

Visitor entries to Canada through BC border crossings rose in the second quarter (+1.1%, seasonally adjusted), after three consecutive quarterly declines. The number of overseas visitors was up 3.0%, accompanied by a 0.6% increase in entries from the US. Same-day visits by Americans were up 2.1%, offsetting a slump (-0.4%) in overnight traffic in the second quarter.

Overseas entries increased (+3.0%), with more visitors from Europe (+1.2%) and Asia (+5.6%). However visits from Oceania (Australia and South Pacific, -0.7%) slipped. Among the overseas markets, Hong Kong (+18.0%) and Taiwan (+10.2%) recorded the highest growth in the second quarter.

The number of Canadians re-entering the country via BC border crossings continued to rise (+1.0%). More Canadian travelled overseas (+2.9%) or made same-day auto trips to the US (+0.6%).

US entries climbed up, but remained low by historical standards



Data source: BC Stats

Other Indicators

Hotel occupancy rates averaged 64.5% (seasonally adjusted) in the second quarter, increasing 0.6%. Average room rates, at \$115.7, were up 3.8% compared with the first quarter.

Air passenger traffic at Vancouver airport increased +0.5%, while Victoria (-0.7%) experienced lower volumes on all types of flights. BC Ferries were busy, carrying more passengers (+1.7%) and vehicles (+1.4%). Traffic on the Coquihalla Highway was up substantially (+2.6%).

Employment in the major tourism-related industries edged up (+0.1%) in the second quarter of 2005. The accommodation (+1.9%) and air transport (+0.3%) industries increased employment moderately, while the number of people working in arts, entertainment & recreation remained virtually unchanged.

Restaurant, caterer and tavern receipts continued to climb up (+1.2%) in the second quarter, as an increase in revenues at food service establishments (+2.5%) offset lower receipts at drinking places.

Hot topic: Hurricane Devastates Tourism Industry in Louisiana

Hurricane Katrina, the most devastating disaster in US history, has torn through the Gulf Coast states, killing many people, leaving about 80% of New Orleans underwater, and destroying many homes. It also hit northern Florida and the Pensacola region, but resorts on the Gulf coast such as Clearwater and St Petersburg, except for some heavy rains, were relatively untouched and are functioning quite normally. However, according to MSNBC news, tourism, a major source of revenue in Louisiana, has been blown away by the hurricane.

New Orleans alone drew more than 10 million visitors last year, creating approximately 80,000 tourism-related jobs. "Visitors to New Orleans spend \$5 billion per year, and 40% of that number is convention and meeting business," said Donna Karl, vice president of client relations for the New Orleans Metropolitan Convention and Visitors Bureau, who spoke from Chicago. With most of the regions underwater, that part of tourism revenue is long gone.

The disintegration of New Orleans' tourism sector has affected the airline industry, which has been forced to cancel many flights to the city. With large areas of the city still closed to the public, many hotels, restaurants and other tourism venues are not yet operating normally. Tourists planning trips to New Orleans have likely made alternative arrangements.


New Orleans had a 12-month hotel room revenue of more than \$1 billion. But now, almost all of the city's 265 hotels, including all three major U.S. hotel companies: Hilton Hotels Corp, Marriott International Inc., and Starwood Hotels & Resorts Worldwide Inc. have closed their properties in the region; many of their 38,633 hotel rooms have been damaged or left out of order.

The hurricane's effects may be long-lasting. It will take some time before business is back to normal in the state, and until then, it is likely that leisure travel from the affected regions will be greatly reduced, as individuals and business operators focus on rebuilding rather than foreign-travel.

How is this likely to affect the Canadian tourism sector? There is not a lot of recent information about travel to and from Louisiana. However, according to Statistics Canada, Louisiana sent 24,000 travellers to Canada in the second quarter of 2001, almost three times as many as in 2000. Nevertheless, Louisiana is neither one of the top 12 states visited by Canadians nor one of the top 10 U.S. states that have sent visitors to Canada. As a result, the hurricane disaster would not be likely to have huge effects on the tourism industry in Canada. On the other hand, the big hikes in North American gasoline prices and the prospect of bankruptcies in the US airline industry may influence the travel plans of America from states not directly affected by the hurricane.

With Hurricane Rita arriving in Texas, the tourism industry in Canada would be affected more visibly because Texas is one of the top 12 states of origin for US tourists to Canada (Statistics Canada, 2003). Additionally, the threat on oil and gas prices could further affect travelling from the states where the hurricane hit.

 fax transmission information service from **BC STATS**

 Email transmission information service from **BC STATS**

 also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Jul 1/05	
BC	4,254.5	1.3
Canada	32,270.5	0.9
GDP and INCOME		% change on one year ago
(BC - at market prices)		2004
Gross Domestic Product (GDP) (\$ millions)	156,481	7.5
GDP (\$ 1997 millions)	138,783	3.9
GDP (\$ 1997 per Capita)	33,072	2.8
Personal Disposable Income (\$ 1997 per Capita)	20,002	1.2
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Aug	3,613	5.9
Merchandise Exports - Aug	2,922	10.2
Retail Sales - Aug	4,302	2.3
CONSUMER PRICE INDEX		12-month avg % change
(all items - 1992=100)		Aug '05
BC	125.9	2.0
Canada	128.0	2.1
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)		Sep '05
Labour Force - BC	2,263	-0.1
Employed - BC	2,135	0.1
Unemployed - BC	128	-3.1
		Aug '05
Unemployment Rate - BC (percent)	5.7	5.8
Unemployment Rate - Canada (percent)	6.7	6.8
INTEREST RATES (percent)		Oct 19/05 Oct 20/04
Prime Business Rate	4.75	4.25
Conventional Mortgages - 1 year	5.05	4.90
- 5 year	6.00	6.40
US/CANADA EXCHANGE RATE		Oct 19/05 Oct 20/04
(avg. noon spot rate) Cdn \$	1.1777	1.2432
US \$ (reciprocal of the closing rate)	0.8514	0.8029
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)		Sep '05
BC	709.12	1.6
Canada	713.23	4.2

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

New on our site

Small Business Profile

The 2005 edition of the Small Business Profile is now available. This annual publication provides a profile of BC's small businesses, including number of businesses, employment and GDP.

Small Business Profile 2005

<http://www.bcstats.gov.bc.ca/> [continued]
data/bus_stat/busind/sm_bus/SBP2005.pdf

Completely revised

Economic Multipliers

(This item is in our WebStore for \$75 + GST)

The purpose of this publication is to provide guidance to analysts tasked with trying to quantify economic impacts. The report provides information generated from the 2001 Provincial Input-Output model, which has been used to calculate more than 4500 different multipliers for the BC economy. The report also provides explanatory information and example analyses that should promote the correct selection and application of these multipliers.

There are many situations, however, when the best approach to economic impact estimation is not to use a multiplier, but to make use of the input-output model in a project-specific way. A secondary purpose of this report is to help analysts to recognize such situations and to invite them to contact BC STATS to request use of the model for their application.

Provincial Economic Multipliers & How to Use Them

http://www.bcstats.gov.bc.ca/pubs/pr_pem.asp

Released this week by BC STATS

- Immigration Highlights, 2nd Quarter 2005

Next week

- Consumer Price Index, September 2005
- Business Indicators, October 2005
- Current Statistics, October 2005
- Quarterly Regional Statistics, 3rd Quarter 2005